Exhibit I

EXHIBIT I

USAC staff recommendations and minutes meeting of Board of Administrator-January 25, 2000

NECA

NATIONAL EXCHANGE CARRIER ASSOCIATION INC

Form 499-A Data Collection Agent
80 South Jefferson Road
Whippany, NJ 07981
973-884-8094
Fax: 973-560-4434
fnieto@neca.org

FAX TRANSMISSION COVER SHEET

Date:	*06/21/01*
To:	*Larry Breton*
Fax:	616-349-8525
Sender	*Fabio Nieto*

YOU SHOULD RECEIVE 5 PAGE (S), INCLUDING THIS COVER SHEET. IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL 973-560-4400.

Larry,

Feel free to contact me with any questions.

Thank you,
Fabio Nieto
National Exchange Carrier Association

Universal Service Administrative Company
Board of Directors Meeting

ACTION ITEM

Approval of Reporting Requirements for Companies Involved in the Transfer and/or Sale of Assets

Issue:

Board approval of reporting requirements for the FCC F[illegible] of contribution reports for companies involved in the transfer and/or sale of assets.

Background – Analysis – Justification:

Commission rules require carriers that contribute to the Universal Service Fund to file semi-annual worksheets reporting on their revenue from the prior period. The requirement to file a worksheet is determined by whether the carrier is providing interstate telecommunications services to the public on the date of the filing. In order to formalize the policy and procedures to implement the FCC rules, the Board is asked to review and adopt procedures for companies involved in the transfer and/or sale of assets.

Proposed Requirements for Filing Forms:
(Assumes revenue for reporting period is **not** *de minimis*.)

1) If a company is dissolved at the filing date, even though it may have generated revenue during the time period being reported on the filing due date, the company is not required to complete a form, and therefore the company does not incur contribution liabilities in the future.

   Example: a company dissolves on 2/1/99; the filing due date for revenue generated January – December 1998 is due April 1, 1999; therefore, the company is not required to file and will not incur any USF obligations for 3Q99 and 4Q99. This company will also not need to file on September 1, 1999. This procedure reinforces the fact that a current liability exists, regardless of the method by which that liability is calculated.

   Question Presented: If a company is dissolved on 2/1/99 and USAC is currently billing this company, then when does the company's liability end? Is it at the end of the 1Q99, or at the end of invoices utilizing the last form the company filed (*i.e.*, June 1999- 2Q99)?

   Answer: a company facing this situation must complete the entire quarter's invoices that include the dissolution date, which in this example includes January, February, and March 1999. This supports a quarterly funding obligation tied to a quarterly rate.

2) If a company is no longer providing interstate telecommunications services at the filing date, but provides intrastate and/ or international only or provides other non-telecommunications services, the company does not need to report the telecommunications revenue it generated during the time period reported on the filing due date.

   Example: A company no longer provides interstate telecommunications after 2/1/99; the filing due date for revenue generated January -- December 1998 is April 1, 1999; therefore, the company does not have to file on April 1, 1999, nor does it need to file on September 1, 1999. This company would be required to continue making payments into the fund for January, February, and March. This procedure is based on the fact that the USF obligation is a current liability borne only by companies that are currently providing interstate telecommunications services.

Companies in Bankruptcy:

1) Determination of what invoices fall under pre- and post-petition: Because an entire quarter's liability is incurred on the first day of the quarter, and because each monthly invoice represents one-third of that quarter's liability, USAC cannot collect any invoices for the entire quarter (even though the last third of a bankrupt company's quarterly contribution may not be sent in the form of an invoice until mid-March).

   Example: A company filed for bankruptcy on 2/1/99. All open invoices prior to and including March 1999 must be taken off current invoicing, and be reported on the Proof of Claim filed with the appropriate bankruptcy court.

   Reporting of revenue that was generated pre-petition: A company filing Chapter 11 on 2/1/99 is still responsible for completing the Form 499 Telecommunications Reporting Worksheet due on April 1, 1999, (reporting January 1 through December 31, 1998, revenue) and September 1, 1999, (reporting January 1 through June 30, 1999, data), even though the revenue was generated prior to the Chapter 11 petition date.

   Question Presented: What if a company insists that because all of the revenue on the April 1 form was revenue generated prior to its bankruptcy petition date, any liabilities incurred because of that revenue is also protected?

   Answer: FCC rules state that in order to calculate current universal service liability, a firm must calculate a rate against prior period revenue. The FCC could have also required a firm to calculate a rate against estimated future revenue, against their number of employees, or against their number of minutes of service, etc. The key is that it is considered a current liability regardless of how the liability is calculated. In addition, in its 10/6/99 Memorandum Opinion & Order & 17th Order on Reconsideration, the FCC reiterated the use of prior period revenues to calculate current obligation.

2) The USF obligation is not a tax; therefore, universal service obligations cannot be treated as a non-dischargeable tax liability in the bankruptcy proceeding.

Sale of Customer Base Asset (does not involve a Bankruptcy):

1) The date of sale listed on the Asset Purchase Agreement or similar document is the key date when completing the following procedures; **not** the date the purchaser starts using the assets or the date the FCC approves the sale.

Example: Company A only sells a portion of its customer [illegible] Customer Base) on 2/15/99 to Company B, and is still in operation. Company A is responsible for reporting Sold Customer Base revenue for the period January 1 – December 31, 1998, on the April 1 worksheet. Company A must also report Sold Customer Base revenue for January 1 through February 15, 1999 on the September 1 worksheet. Company B must report Sold Customer Base [illegible] 15 through June 30, 1999, on the September 1, 1999, worksheet.

It is encouraged that Company A (selling party) review the Asset Purchase Agreement to insure that the agreement reflects the continued universal service obligation (until June 2000) of Company A for assets that Company B (purchasing party) is receiving, and include an estimate of [illegible] It is the responsibility of the seller to include this in the sale ag[illegible] not pro-rate invoices.

Example: Company A sells its entire Customer Base to Company B on 2/15/99. Company A is dissolved on 2/15/99. Company A is responsible for paying contributions through the end of 1Q99 (January, Febr[illegible]). Company B must pay April through June 1999 invoices. Company B is responsible for reporting the customer base revenue for January 1 through December 31, 1998, on its April 1, 1999, worksheet (even though the revenue was generated by the customer base while owned by Company A). For calculating Company B's July through December 1999 invoices, we will take the April 1999 form filed by Company B and subtract the September 1998 filings for both Company A and B.

Sale of Customer Base Asset (Bankruptcy involved):

1) Company A in Bankruptcy (filed prior to 1Q99) sells entire customer base to Company B on 2/15/99. Company A must complete paying post-petition invoices until the end of that quarter (January, Febru[illegible]) [illegible] not have any future obligation, unless it pursues more customers and generate new revenue. They must report the new revenue from the new customers on the next applicable worksheet. Company B does not have to report any revenue, or pay any obligations as a result of the purchased assets, until September 1999. On the September form, Company B will report revenue generated 2/15/99 – 6/30/99.

2) Company A in Bankruptcy (filed prior to 1Q99) sell[illegible] Company B on 2/15/99. Company A must pay post-petition [illegible] is responsible for reporting January 1 – February 15, 1999, invoices on its September 1999 form. Company B must report February 15 forward revenue on its worksheet. Because Company B will not have an obligation from revenue generated by the customer base purchased by Company A in bankruptcy, there is no need to include a continued obligation in the sale price.

Recommended USAC Executive Committee Action:

APPROVAL OF THE FOLLOWING USAC EXECUTIVE COMMITTEE RESOLUTION:

RESOLVED, That the USAC Executive Committee recommends to the USAC Board of Directors to direct staff to implement the foregoing Procedures for the Required Filing and Follow-up of Contribution Reports for Companies involved in the Transfer and/or Sale of Assets as presented, and directs staff to apply the stated procedures and provide follow-up on reporting companies as noted.

Recommended USAC Board of Directors Action:

APPROVAL OF THE FOLLOWING USAC BOARD OF DIRECTORS RESOLUTION:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to direct staff to implement the foregoing Procedures for the Required Filing and Follow-up of Contribution Reports for Companies involved in the Transfer and/or Sale of Assets as presented, and directs staff to apply the stated procedures and provide follow-up on reporting companies as noted.

Bellucci, Vicky - *by telephone*	MCIWorldCom
Blackwell, Mel	USAC
Flannery, Irene	FCC
Harrison, Gina	NECA
Howard, Cathy	USAC
Moore, Kate	USAC
Ricker, John	NECA
Snegireff, Petre	PricewaterhouseCoopers

Action Items

a1. Approval of the Minutes. On a motion duly made and seconded, the Board approved the minutes, as distributed, of the quarterly meeting of Tuesday, **October 26, 1999**.

On a motion duly made and seconded, the Board unanimously agreed at 9:03 a.m. Eastern Time to go into *Executive Session* for the purpose of discussing USAC financial and corporate issues, and to discuss current procurement issues. On a motion duly made and seconded, the Board unanimously agreed at 9:32 a.m. Eastern Time to adjourn from *Executive Session* and reconvene in Open Session to report out the discussion and the action of the Board.

Executive Session

i13. Corporate and Financial Issues. USAC has been notified informally by FCC staff that the FCC is considering categorizing the Universal Service Fund as "federal funds" for accounting and financial reporting purposes. The FCC and USAC staff are working together to determine the ramifications of such a change. USAC has communicated its need to the FCC for formal written direction from the FCC prior to making significant operational changes. Ms. Parrino will keep the Board members informed as developments warrant.

Contract and Request for Proposals (RFP) Review. Mr. Barash reported that the RFP process for programmatic support services for the Schools and Libraries and the Rural Health Care Programs is on schedule and going well. USAC anticipates receiving bids from several firms and has established an internal evaluation team to consider the proposals.

Action Items (Continued)

a2. Annual Election of Officers, Officers' Terms, Election of Committee Chairs and Vice-Chairs, and Restructuring of the Executive Committee. Ms. Parrino summarized the resolutions as recommended by the Nominating Committee.

On a motion duly made and seconded, the Board unanimously *(except as noted)* adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee that: (1) in addition to the annual election of officers, all Committee chairs and vice- chairs shall also be elected annually; (2) the first election for Committee chairs and vice-chairs shall occur at the election of officers at the January 2001 Board of Directors meeting; (3) there shall be no term limits imposed on officer and Committee chair and vice-chair positions; and (4) there shall be no automatic succession of positions; and,

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendations of the USAC Nominating Committee to elect Mr. Frank Gumper as Chair of the Board of Directors; Dr. Henry Marockie as Vice-chair, Mr. Ed Eichler as Secretary, and Mr. Wayne Rehberger as Treasurer for the term of one year that shall begin at the conclusion of the January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting; and,

RESOLVED FURTHER, That the USAC Board of Directors elects Ms. Cheryl L. Parrino as CEO of the Universal Service Administrative Company for the term of one year that shall begin at the conclusion of January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting *(Ms. Parrino abstained.)*; and,

RESOLVED FURTHER, That the USAC Board of Directors elects Mr. D. Scott Barash as Assistant Secretary and Mr. Robert Haga as Assistant Treasurer of USAC for the term of one year that shall begin at the conclusion of the January 2000 Board meeting and that shall conclude at the close of the January 2001 Board meeting; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the USAC Nominating Committee to restructure the Executive Committee, and that, effective at the conclusion of the January 2000 Board meeting, the Executive Committee of the USAC Board of Directors shall consist of the following nine members: the Chair of the High Cost and Low Income Committee, the Chair of the Rural Health Care Committee, the Chair of the Schools and Libraries Committee, the Chair of the USAC Board, the Vice-Chair of the USAC Board, the Secretary of the USAC Board, the Treasurer of the USAC Board, the most recent past Chair of the USAC Board, and the Chief Executive Officer of USAC; and,

RESOLVED FURTHER, That the USAC Board of Directors appoints to the Executive Committee, effective at the conclusion of the January 2000 Board meeting, the following members of the USAC Board of Directors: the Chair of the High Cost and Low Income Committee, the Chair of the Rural

Health Care Committee, the Chair of the Schools and Libraries Committee, the Chair of the USAC Board, the Vice-Chair of the USAC Board, the Secretary of the USAC Board, the Treasurer of the USAC Board, the most recent past Chair of the USAC Board, and the Chief Executive Officer of USAC.

The Board expressed concern that nine members on the Executive Committee is more than is customary for such a committee and DIRECTED the members to monitor the meetings throughout the upcoming year for any problems due to such a large group and to recommend any changes in membership to the Board if the Committee feels such an action is warranted.

Ms. Parrino clarified for the Board that Committee Chairs and Vice-Chairs are elected by the full Board but at the recommendation of each respective Committee. In the past, the Board has not rejected any recommendations from the Committees for Committee Chairs and Vice-Chairs.

On behalf of the whole Board, Mr. Gumper thanked Ms. Rosenblum for her service as Chair on the Board. He announced that since he will be taking over the Chair of the Board position, he intends to step down as a member of the Schools and Libraries Committee. Ms. Rosenblum stated that the appointment of a new member to the Schools and Libraries Committee to replace Mr. Gumper would take place under the Miscellaneous Action Item of the meeting. Ms. Parrino informed the Board that Mr. Gumper represented service providers on the Schools and Libraries Committee.

a3. Approval of an Uncollectible Write-off Policy. Ms. Parrino reported that the Executive Committee is recommending to the Board to adopt a policy establishing how to handle uncollectible contributions. USAC staff cannot and does not recommend writing off uncollectible amounts; only the FCC has the authority to waive or otherwise modify a carrier's contribution requirement.

On a motion duly made and seconded, the Board unanimously adopted the following resolution: RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to direct staff to establish an accounting reserve against uncollectible accounts receivable in conformity with generally accepted accounting principles and to direct staff to continue the current practice of stating accounts receivable balances from all companies regardless of collectibility in the accounts receivable aging analysis.

a4. Approval of Reporting Requirements for Companies Involved in the Transfer and/or Sale of Assets. Mr. Haga explained that USAC has followed the policies set forth in the issue paper; staff is now requesting formal Board approval of the procedures. The Board DIRECTED staff to clearly state in the procedures that parties to a sale of assets may negotiate arrangements to handle the reporting of revenue with respect to those assets and that USAC would honor specific obligations when provided with documentation which obligates one party

to report the revenues associated with the assets for Universal Service purposes.
On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the USAC Executive Committee to direct staff to implement the foregoing Procedures for the Required Filing and Follow-up of Contribution Reports for Companies involved in the Transfer and/or Sale of Assets as presented, *and* directs staff to apply the stated procedures and provide follow-up on reporting companies as noted.

a5. Modification of USAC Investment Strategy. Ms. Parrino informed the Board that the FCC has requested USAC to move its investments into federal government-issued securities. Board members questioned the authority of the FCC to make such a request in light of the fact that such a change could potentially decrease the returns on the investments. The following resolution was duly made and seconded, but no action was taken on the motion: Resolved, that the USAC Board of Directors accepts the recommendation of the Executive Committee to retain the existing USAC investment guidelines and adopt the investment strategy presented by the staff herein until such time as circumstances require or allow a change in this investment approach.

The Board discussed the actions staff had taken, consistent with current investment guidelines, and determined additional information should be provided to the Board and that the Executive Committee should take action soon to adopt or reject the revised investment strategy. On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors directs staff to retain the USAC investment guidelines that have been in place since January 3, 2000, until such time as the CEO is able to clarify with the FCC which entity has the proper authority to make changes to USAC's investment strategy, and directs the CEO to report the findings to the Executive Committee for further review.

The Board DIRECTED staff to produce a document detailing the pros and cons of the current strategy versus the strategy proposed by the FCC and to send a copy to each member.

a6. Approval of a Statement of Ethical Conduct for Members of the USAC Board of Directors. Mr. Barash explained to the Board that the Executive Committee, upon review of the Statement as presented to them by the Nominating Committee at its recent quarterly meeting, noted that the document did not indicate to whom a Board member should report to if a conflict should occur or for advice on whether a known upcoming situation may constitute an ethical conflict. Therefore, the Executive Committee passed a resolution adding this information to the document. Mr. Barash distributed a copy of the revised document to the Board and indicated that the General Counsel of USAC was added as the contact person.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, That the USAC Board of Directors accepts the recommendation made by the Nominating Committee and the Executive Committee to approve the proposed revised *Statement of Ethical Conduct for Members of the USAC Board of Directors*.

a7. **Approval of Annual 2000 and 2nd Quarter 2000 USAC Common and Consolidated Budget**. Ms. Parrino noted a change to Attachment C with respect to one of the explanations provided. Ms. Parrino also pointed out that two contingencies have been factored into the budget. First, $900,000 has been added to cover the estimated cost of re-coding the data of the High Cost forward-looking model—if USAC is indeed asked to do so by the FCC. Second, $3.8 million has been added for transition costs in the event that USAC selects a vendor other than the current vendor for the programmatic support services for the Schools and Libraries Program. No contingency has been factored in for possible transition costs if a new vendor is chosen for the programmatic support services for the Rural Health Care Program because staff believes that the expected cost savings in combining the administration of the two Programs will offset any transition costs. With the contingencies, the budget is 10.6 percent lower than the pre-merger budget; without the contingencies, it would be 21 percent below the pre-merger budget. Overall, the budget has decreased in comparison to budgeted 1999 expenses.

Ms. Parrino further explained that the increase in "Salaries and Benefits" is driven by three factors: (1) For the year 2000, the cost of USAC's benefits increased 23 percent due to an increase in rates by USAC's benefits administrator. Staff has been directed to review other providers in an effort to determine if reasonable benefits can be offered to the employees at a lower cost; (2) Additional positions in the USAC organization are necessary in order to provide quality service to the stakeholders and to run the new High Cost Model. Bringing more work in-house then reduces the costs of outside contracts; and (3) USAC is requesting an increase of up to 4.5 percent in salaries for all USAC employees with the company on or before October 1, 1999, in an effort to keep the wages inline with the local labor workforce. The 4.5 percent figure is based on comparing USAC salaries to other current salary surveys for the local labor workforce and the federal government's increase of 4.9 percent in salaries for the year 2000.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 2nd

Quarter 2000 USAC common budget of $834,900; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 2nd Quarter 2000 USAC consolidated budget of $9,835,600; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 2000 annual USAC common budget of $2,913,900; and

RESOLVED FURTHER, That the USAC Board of Directors accepts the recommendation of the Executive Committee to approve a 2000 annual USAC consolidated budget of $41,221,700.

a8. **Approval of 2nd Quarter 2000 Revenue Projections and Resolutions for the February 2000 FCC Filing.** Mr. Haga reported that the revenue base has increased as expected.

On a motion duly made and seconded, the Board unanimously adopted the following resolution:

RESOLVED, that the USAC Board of Directors, having reviewed a summary of the current status of telecommunications service provider revenues for January through June 1999, authorizes staff to proceed with the required February 2, 2000, filing to the FCC on behalf of USAC. If the revenue estimate in the filing varies from the revenue estimate included in Board materials by an amount greater than $2.5 billion, the staff will seek the approval of the Board to file the revised revenue estimate.

a9. **Approval of the Outline for the Annual Report to the FCC and Congress.** Mr. Blackwell informed the Board that the outline for the Annual Report has not changed since the last time it was presented to the Board at the quarterly October 1999 Board meeting. Staff has met with the FCC on several occasions to verify the information that the FCC expects to find in the final report and staff continues to do so in an effort to conform to FCC directives. He reminded the Board members that a draft version of the report has been sent to each member via email and welcomes their comments. He noted that in order to stay on schedule and have the report ready by March 31, he requests the comments by February 14. Board members suggested adding pictures of Universal Service in action, but only if the cost is not prohibitive.

On a motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, That the USAC Board of Directors approves the Outline for the Annual Report as reviewed; and

RESOLVED FURTHER, That the USAC Board of Directors delegates the final review and approval of the Annual Report to the Executive Committee and directs staff to provide each

Board member with a copy of the final Annual Report.

On a motion duly made and seconded, the Board unanimously agreed to recess at 10:30 a.m., subject to the call of the Chair.

At 10:53 a.m., the Board reconvened. Ms. Rosenblum called the meeting to order and asked that the roll be taken. Ms. Cathy Howard, Executive Assistant to the CEO of USAC, called the roll for Mr. Robert Haga, Acting Secretary.

Thirteen of the nineteen elected members were present, representing a quorum:	
Bryant, Anne – *by telephone*	Eichler, Ed – *by telephone*
Gold, Heather	Gumper, Frank
Hess, Kevin	Jackson, Jimmy
Marockie, Dr. Hank	Ouye, Kathleen
Parrino, Cheryl	Rehberger, Wayne – *by telephone*
Rosenblum, Lisa	Sanders, Dr. Jay
Talbott, Brian	

a10. Miscellaneous.

- Election of a Board Member to the USAC Schools and Libraries Committee Due to the Resignation of Committee Member Mr. Frank Gumper. Ms. Ouye reported to the Board that during the aforementioned recess, the members of the Schools and Libraries Committee met to determine nominations for the position vacated by Mr. Gumper on that Committee. The Committee submitted to the Board the nomination of Ms. Lisa Rosenblum, who represents service providers.

  On a motion duly made and seconded, the Board unanimously adopted the following resolution:

  RESOLVED, That the USAC Board of Directors elects Ms. Lisa Rosenblum to the USAC Schools and Libraries Committee.

Information Items

i1. Report of Legislative and Media Activity. For information only. No discussion held.

i2. Treasurer's Report. For information only. No discussion held.

i3. Regulatory Report. For information only. No discussion held.

i4. Report on Accounts Receivable and Collection Efforts.

For information only. No discussion held.

- **i5. Status of Form 457 Audit**. For information only. No discussion held.
- **i6. Bankruptcy Report**. For information only. No discussion held.
- **i7. Status of Financial and Operational Audits of USAC**. For information only. No discussion held.
- **i8. Status of the Consolidation of Data Collection**. For information only. No discussion held.
- **i9. Status of USAC Clarification Requests at the FCC**. For information only. No discussion held.
- **i10. USAC Timeline and Key Dates**. For information only. No discussion held.
- **i11. Report of USAC Program Enforcement Issues**. For information only. No discussion held.
- **i12. Status Report on the Readiness of USAC Operations for the Year 2000**. For information only. No discussion held.
- **i13. Contract and RFP Review. See** ***Executive Session***
  Corporate and Financial Issues. See ***Executive Session***
- **i14. Miscellaneous**. None.

Rural Health Care Program

- **i15. Rural Health Care Program Status Report. For information only**. No discussion held.
- **i16. Status of the Implementation of Program Changes. For information only**. No discussion held.
- **i17. Review of Annual 2000 and 2nd Quarter 2000 Rural Health Care Programmatic Budget. For information only**. No discussion held.
- **i18. Review of 2nd Quarter 2000 Rural Health Care Projections and Resolution on the February 2000 FCC Filing**. For information only. No discussion held.
- **i19. Miscellaneous**. None.

Schools & Libraries Program

- **i20. Schools and Libraries Program Update. For information only**. No discussion held.
- **i21. Review of Annual 2000 and 2nd Quarter 2000 Schools and Libraries Programmatic Budget**. For information only. No discussion held.
- **i22. Review of 2nd Quarter 2000 Schools and Libraries Projections and Resolution on the February 2000 FCC Filing**. For information only. No discussion held.
- **i23. Miscellaneous**. None.

High Cost and Low Income Programs

- **i24. High Cost Program Status Report.** For information only. No discussion held.
- **i25. Low Income Program Status Report.** For information only. No discussion held.

i26. **Report on the Implementation of the New High Cost Program for Non-Rural Companies.** For information only. No discussion held.

i27. **Review of Annual 2000 and 2nd Quarter 2000 High Cost and Low Income Programmatic Budget.** For information only. No discussion held.

i28. **Review of 2nd Quarter 2000 High Cost and Low Income Projections and Resolution on the February 2000 FCC Filing.** For information only. No discussion held.

i29. **Miscellaneous.** None.

There being no further business to attend to, Ms. Rosenblum adjourned the meeting at 10:56 a.m. Eastern Time.

____

Robert W. Haga
Acting Secretary/Treasurer

____

Date

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Exhibit J

EXHIBIT J

DECLARATION OF LAWRENCE M. BRENTON

DECLARATION OF LAWRENCE M. BRENTON

I, Lawrence M. Brenton, declare as follows:

1. I am an attorney member of Early, Lennon, Crocker & Bartosiewicz, P.L.C., 900 Comerica Building, Kalamazoo, Michigan 49007.

2. I have acted as attorney for Alliance Group Service, Inc. ("Alliance Group") in connection with Alliance Group's Letter of Appeal to the Administrator ("USAC") attached as Exhibit C to Alliance Group's Petition for Review.

3. In attempting to ascertain the history of Alliance Group's USAC account, I spoke on several occasions with Lori Terraciano of USAC. In one conversation, Ms. Terraciano advised me that the 1999 end user revenues of US Republic Communications, Inc. had been determined by her to be chargeable to Alliance Group based on her review and interpretation of the Purchase and Sale Agreement dated December 23, 1999, attached to the Petition as Exhibit E. Ms. Terraciano indicated she did not have the Purchase and Sale Agreement before her at the moment but she had reviewed the document and determined that the document resulted in attribution of all of US Republic's 1999 end user revenues to Alliance Group for purposes of universal service support mechanism charges. Ms. Terraciano further indicated that different language could have been included in the Agreement leading to a different construction of the contract but it was her conclusion that the contract as written should be construed as she had done. Ms. Terraciano did not recall who provided her a copy of the Agreement and did not state whether any other person or persons had participated with her in interpretation of the Agreement. When asked by what authority she was empowered to so interpret contracts, Mr. Terraciano stated she would have a member of the USAC staff fax a copy of the relevant rules or guideline to me.

4. A copy of the rules or guidelines relied on by staff was faxed to me, a copy of which is attached to the Petition for Review as Exhibit I. A more legible copy of this document was requested but the second facsimile transmission to a different number was also partially illegible.

5. Ms. Terraciano stated to me that the staffs' recommended rules guidelines had been adopted at a meeting of the Board of Directors of USAC on January 25, 2000.

6. I have obtained a copy of the Minutes of the referenced Board meeting. A comparison between the recommendation of the staff and the Board minutes indicates that staffs' recommendation had been for the USAC Executive Committee and USAC Board of Directors to adopt resolutions approving staffs' recommended procedures and directing staff to apply said procedures. A review of the Minutes of the meeting of the Board indicates, however, that the Board referred to what is identified as an "issue paper". The minutes further indicate the Board "directed staff to clearly state in the procedures that parties to a sale of assets may negotiate arrangements to handle the reporting of revenue with respect to those assets and that

USAC would honor specific obligations when provided with documentation which obligates one party to report the revenues associated with the assets for universal service purposes." It is impossible to determine whether the "issue paper" referred to in the minutes of the meeting of the Board is the same documents as the staff recommendations furnished by USAC staff. In any case, however, it appears that the Board did not adopt the "issue paper" as presented, and specifically directed staff to enunciate procedures for parties to a sale of assets to permit allocation and reporting agreements and further instructed staff to follow such agreements as the parties made, if any, regarding reporting of revenues and payment of resulting charges. It is my opinion based on review of the staff recommendations and the Minutes of the Board meeting that, in addition to the fact that the Board action took place <u>after</u> the transaction in question, the Board did <u>not</u> authorize staff to review and construe contractual agreements in private, did <u>not</u> adopt the "issue paper" as requested by staff, did not publish any policy or rule but did direct staff to "state in the procedures" that parties were free to negotiate specific arrangements regarding reporting and contributions or not.

7. Regarding the method by which the USAC account of US Republic became transferred to Alliance Group, Ms. Terraciano was specifically asked by me to furnish a history of the US Republic account, including 499 reports filed by US Republic and payments made by US Republic. Ms. Terraciano declined to furnish such information, stating that all the information requested was confidential.

8. It appears from a review of the information available to Alliance Group that US Republic did, in fact, pay monthly USAC invoices based on its 1999 revenues until June of 2000. It further appears that in June or July of 2000, US Republic persuaded the Administrator to instead direct these charges to Alliance Group. It further appears that in September of 2000, the administrator sent to Alliance Group invoices indicating charges of $376,368.39 and a net credit of $362,701.41 which, as of September, 2000, would have resulted in a net charge to Alliance Group of $13,666.98. The invoices then show that the Administrator billed an additional $387,349.17 during the last three months of the year 2000, for a total of $763,717.56 in billings, reduced by the "credit" of $362,701.41. The Administrator then revoked, without explanation, the credit balance of $362,701.41 (this credit balance has been issued and revoked on repeated occasions without explanation, last being revoked on the July, 2001 billing). The net effect was that the Administrator billed Alliance Group $763,717.56 during the second half of calendar year 2000, all of which amount is apparently attributable solely to US Republic Communications' 1999 revenues as reported by US Republic Communications.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 26, 2001.

L Brenton

Lawrence M. Brenton

Exhibit K

EXHIBIT K

DECLARATION OF MICHAEL W. MALLON

DECLARATION OF MICHAEL W. MALLON

I, Michael W. Mallon, declare as follows:

1. I am the Chief Financial Officer of Alliance Group Services, Inc. ("Alliance Group").

2. This Declaration is based on my interviews with current and former Alliance Group officers and employees and review of the relevant records.

3. In September of 2000, Alliance Group received from the Universal Service Administrative Company ("USAC") an invoice for charges of $376,368.39 under Filer No: 820411 and an invoice reflecting a credit of $362,701.41 under Filer No: 811765. Copies are attached.

4. A comparison of these invoices indicated that there was a balance owing by Alliance Group of $13,666.98.

5. Alliance Group was persuaded through analysis of these accounts and conversations with USAC representatives that there was no reason to contest the account statements from USAC or to be concerned with the status of Alliance Group's "account" with USAC.

6. Although there were conversations between Alliance Group representatives and USAC regarding the account, at no time did USAC notify or advise Alliance Group that USAC was claiming Alliance Group owed more money to USAC until, during the last three (3) months of the year 2000, USAC invoiced Alliance Group another $387,349.17 in charges. USAC later "revoked" or withdrew the credit balance it has previously shown, in the amount of $362,701.41, without explanation, and added this balance to the amount USAC was claiming from Alliance Group. USAC did advise Alliance Group by telephone that it was "revoking" or withdrawing this credit and Alliance Group in my presence advised USAC that it protested such revocation of credit.

7. After analysis of the accounts and requests for information from USAC, it is still unclear how or why USAC calculated charges to Alliance Group, how or why USAC calculated credits to Alliance Group, why USAC revoked credits such as the sum of $362,701.41 or why USAC is charging Alliance Group for end user revenues other than those end user revenues actually billed, collected or in some respect generated by Alliance Group.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 26, 2001.

Michael W. Mallon

Michael W. Mallon

USAC
UNIVERSAL SERVICE ADMINISTRATIVE CO.

Date: 09/22/2000
Invoice #: UINV0040015794
Filer 499 ID: 811765

Mail Payment To:

Universal Service Administrative Company
P.O. Box 371719
Pittsburgh, PA 15251-7719

U.S. Republic Communications, Inc.
c/o Alliance Group Services, Inc.
1221 Post Road East
Westport, CT 06880
Attention: John Casey

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		$ 184,406.10
	Total Current Charges:		$ 0.00

Barry McCintosh
973-884-8598

Detail of Payments/Credits:

Date		Amount
09/14/2000	High Cost Fund Credit	(193,823.73)
09/14/2000	High Cost Fund Credit	(63,124.88)
09/14/2000	Low Income Fund Credit	(49,074.78)
09/14/2000	Low Income Fund Credit	(13,484.10)
09/14/2000	Schools & Libraries Fund Credit	(190,445.01)
09/14/2000	Schools & Libraries Fund Credit	(35,866.36)
09/14/2000	Rural Health Care Fund Credit	(1,288.65)

Total Payments/Credits: $ (547,107.51)

Balance Due USAC: $ (362,701.41)

Payment must be received by 10/13/2000 to avoid late payment charges
Please remit pink copy with payment to ensure proper credit
Transactions occurring after 09/14/2000 are not reflected on this statement
Direct questions to the Fund Administrator - (973) 884-8598

USAC
UNIVERSAL SERVICE ADMINISTRATIVE CO.

Date: 09/22/2000
Invoice #: UINV0030022821
Filer 499 ID: 820411

Mail Payment To:
Universal Service Administrative Company
PO Box 371719
Pittsburgh, PA 15251-7719

Alliance Group Services, Inc.
1221 Post Road East
Westport, CT 06880

STATEMENT OF ACCOUNT

Detail of Charges:

Date		Amount	Total
	Previous Balance		**$ 0.00**
09/14/2000	High Cost Program Charges	140,820.24	
09/14/2000	High Cost Program Charges	70,410.12	
09/14/2000	Low Income Program Charges	30,080.62	
09/14/2000	Low Income Program Charges	15,040.31	
09/14/2000	Schools & Libraries Program Charge	80,011.40	
09/14/2000	Schools & Libraries Program Charge	40,005.70	
	Total Current Charges:		**$ 376,368.39**

Detail of Payments/Credits:

Date	Amount	Total
Total Payments/Credits:		**$ 0.00**
Balance Due USAC:		**$ 376,368.39**

Payment must be received by 10/13/2000 to avoid late payment charges
Please remit pink copy with payment to ensure proper credit
Transactions occurring after 09/14/2000 are not reflected on this statement
Direct questions to the Fund Administrator - (973) 884-8598